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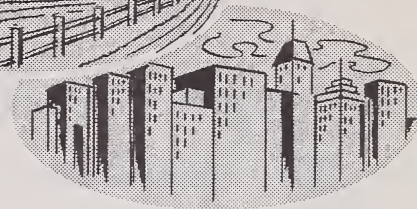
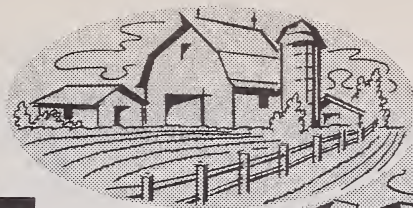
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DEMAND AND PRICE SITUATION



DPS-97

For Release August 5, P.M.

JULY 1963

IN THIS ISSUE

- General Business Activity Rising
- Domestic And Foreign Demands For Farm Products Rising
- Production and Marketing Of Farm Products Rising
- Prices Received For Farm Products Little Changed
- Costs Of Production Rising

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ECONOMIC RESEARCH
SERVICE

U. S. DEPARTMENT OF
AGRICULTURE

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ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1962		1963			
		Year	June	Mar.	Apr.	May	June
Industrial production, seasonally adj. <u>1/</u>	1957=100	118	118	121	123	124	125
Final products	do.	120	120	122	122	123	125
Consumer goods	do.	120	120	123	123	124	125
Autos	do.	136	128	142	142	144	150
Equipment, including defense	do.	120	120	121	121	122	124
Materials	do.	117	117	120	123	125	125
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	61,084	62,678	61,018	60,626	62,395	63,740
Public construction	Mil. dol.	17,705	17,835	18,535	16,808	17,231	17,558
Private residential	Mil. dol.	24,833	25,118	23,978	25,247	25,682	27,837
Housing starts	Thousands	1,453	1,425	1,534	1,660	1,694	1,586
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	33,260	32,960	34,330	34,910	34,870	35,130
Durable goods	Mil. dol.	16,200	15,890	16,630	17,100	17,091	17,210
Unfilled orders-sales ratio <u>4/</u>		2.62	2.79	2.75	2.68	2.71	2.68
Inventory-sales ratio, total <u>5/</u>		1.72	1.73	1.69	1.66	1.68	1.67
Durable goods		2.02	2.05	1.98	1.94	1.96	1.95
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	67.8	69.5	67.1	68.1	69.1	70.3
Nonagricultural	do.	62.7	63.2	62.8	63.4	63.9	64.4
Unemployment	do.	4.0	4.5	4.5	4.1	4.1	4.8
Workweek in manufacturing	Hours	40.4	40.5	40.4	40.3	40.7	40.7
Hourly earnings in manufacturing	Dollars	2.39	2.39	2.44	2.45	2.45	2.45
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	442.1	441.7	454.8	457.4	460.1	462.1
Consumer credit outstanding <u>1/</u>	Mil. dol.	63,453	59,108	62,239	63,230	64,165	
Automobile	Mil. dol.	19,384	18,410	19,720	20,120	20,509	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	19,613	19,163	20,365	20,320	20,319	20,309
Durable goods	Mil. dol.	6,245	6,029	5,625	6,660	5,583	6,565
Inventory-sales ratio <u>5/</u>		1.40	1.41	1.36	1.36	1.35	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1957-59=100	100.6	100.0	99.9	99.7	100.0	100.3
Commodities other than farm and food	do.	100.8	100.7	100.6	100.4	100.5	100.6
Farm products	do.	97.7	95.3	95.4	95.4	94.4	94.9
Foods processed	do.	101.2	99.8	99.0	99.3	101.5	102.1
Consumer price index, all items	do.	105.4	105.3	106.2	106.2	106.2	106.6
Food	do.	103.6	103.5	104.6	104.3	104.2	105.0
Prices received by farmers <u>7/</u>	1910-14=100	243	239	240	242	240	241
Crops	do.	230	234	238	244	246	244
Livestock and products	do.	255	242	242	240	235	239
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	305	306	310	311	311	311
Family living items	do.	294	294	297	297	297	298
Production items	do.	269	268	274	273	273	272
Parity ratio <u>7/</u>		79	78	77	78	77	77
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	135	110	108	104	112	108
Cash receipts from farm marketings	Mil. dol.	35,921	2,326	2,333	2,257	2,342	2,200

Annual data for most of the items for years 1929, 1941 and 1947-52 appear on page 39 of the April 1963 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture, Agricultural Marketing Service.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, July 29, 1963

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SUMMARY

Income, employment, and the general level of business continued rising during the first and second quarters of 1963, and moderate increases are indicated for the second half of this year. In the second quarter, gross national product rose to \$579 billion (seasonally adjusted annual rate), \$7 billion above the first quarter and \$27 billion above the second quarter a year earlier. The quarter-to-quarter gain included a \$2½ billion increase in consumption expenditures, a \$2 billion increase in investment, a \$2 billion increase in net exports, and a \$½ billion increase in Government purchases.

Sparked by increased auto and steel output, industrial production increased about 3 percent from the first quarter to a level 5 percent above a year earlier. Construction expenditures, which declined during the first quarter, recovered during the second to a level around that during the last half of 1962. Civilian employment was 420,000 workers above the quarter before. Sales leveled around record-highs during the second quarter, but steel production decreased late in the quarter as steel inventory stocks were being worked down. With the labor force larger, the rate of unemployment continued in the second quarter around the rate of the first quarter and slightly above a year earlier.

JULY 1963

Domestic demand for farm products rose a little further during the second quarter, and export shipments continued record-high. Continued increases in population, employment, and consumer income point to further increases in demand during the second half of 1963. Prices received for farm products during the first half this year averaged about the same as a year earlier, with lower prices for livestock nearly offsetting higher prices for crops. The volume of marketings of crops and of livestock products through June this year was a little above a year earlier. For the year, July indications point to a small increase in farm output from 1962, especially for beef and pork, broilers, corn, and grain sorghum.

The index of prices received by farmers in mid-July was 245 percent of its 1910-14 average, up 4 points from the month before and up 5 points from mid-July, 1962. The livestock and products component of the index of prices received rose sharply to 249, up 10 points from mid-June and equal to the year-earlier index of prices received by farmers for livestock and livestock products. The crops component of the prices received index was 239 percent of its 1910-14 average in mid-July, down 5 points from the month before but up 10 points from a year earlier. With the index of prices paid by farmers at 312 in mid-July, the parity ratio, or ratio of prices received by farmers to prices paid, was 79, up 2 points from mid-June and the same as a year earlier.

COMMODITY HIGHLIGHTS

Total red meat production during the first half of 1963 was about $4\frac{1}{2}$ percent above January-June 1962, reflecting more beef and pork but less veal, lamb, and mutton production. Meat animal prices during the first half generally reflected changes in production from year-earlier levels. Prospects for the second half are for supplies to be little changed; meat animal prices may rise from first-half levels but likely will remain below year-earlier levels.

Milk production during the first half of 1963 was almost 1 percent below a year earlier and for the whole year may total less than the 125.9 billion pounds in 1962. Prices received by farmers for all wholesale milk were seasonally lower in the second quarter than the first but averaged about the same as a year earlier. Retail prices of dairy products in the second quarter declined seasonally from the first quarter and were near a year earlier. Commercial use of dairy products in the first half of 1963 increased over a year earlier; CCC purchases were substantially lower.

A buildup in the Nation's broiler hatching-egg flocks points to an expansion in broiler production late this year and early next year. Broiler production during the second quarter of this year was about the same as a year earlier, but is expected to rise above 1962 during the second half.

Egg production during the first half was 1 percent below production a year earlier; egg prices were about 3 percent higher. The number of layers on farms during the second half of this year may average a little less than a year earlier, but egg production and prices are not expected to be materially different from a year earlier.

U. S. mill consumption of apparel wool was running around 6 percent below use in 1962 during the first part of this year; carpet mill use was up about 20 percent. Wool imports were higher than a year earlier. The average price received by U. S. growers for shorn wool in the 1962 marketing season increased 11 percent from a season earlier to 47.7 cents per pound, grease basis.

U. S. wheat supplies for the 1963-64 season are the lowest in 5 years. Production was above a year earlier, but the carryover from the 1962-63 season was the smallest since 1958. Domestic consumption and exports are expected to run a little higher this year than last, and carryover on July 1, 1964, likely will decline 15 percent from the 1,189-million-bushel carryover this year.

Feed grain supplies for the 1963-64 season are indicated 2 percent below supplies for the 1962-63 season, reflecting prospective increases in production and a smaller carryover. Feed grain prices advanced more than seasonally since last fall and in June averaged 8 percent higher than a year earlier. Feed grain prices are likely to decrease seasonally this summer and fall and may average near a year earlier in the late fall and winter months.

The 1964 voluntary Feed Grain Program allows for a diversion by farmers of as much as 50 percent of the feed grain base compared with 40 percent under the 1963 program. National average price support levels in the 1964 program are the same as in 1963; the payment-in-kind is a little lower, but the loan rate is higher. A provision to authorize wheat on feed grain acreage or feed grain on wheat acres was not implemented.

The demand for soybeans continues strong and the supply situation will tend to tighten before new crop beans are available, usually around mid-September. Soybean crushings during 1962-63 probably will total 470 million bushels and soybean exports 175 million bushels, both new record highs. The carryover of old crop soybeans on October 1, 1963 is now forecast at 15 million bushels, about one week's requirement for crushing and export, compared with 58 million bushels on October 1, 1962. Prices to farmers for soybeans will continue strong this summer, probably averaging about 10 percent higher than in the summer of 1962.

Generally lighter supplies and higher prices for fresh and processed fruits are in prospect this summer and early fall than in the same period of 1962. The July 1 condition of the 1963-64 crops of oranges and grapefruit in California and Arizona was above a year earlier but sharply below in Florida.

Supplies of vegetables for fresh market will be moderately smaller during August and September than a year earlier reflecting a decrease of about 5 percent in commercial production. Supplies of canned and frozen vegetables in early summer were a little larger than a year earlier, owing to heavier stocks at mid-year, but total pack for the season likely will be smaller.

U. S. mill consumption of cotton during the 1963-64 season, which began August 1, is expected to total about 5 percent above the 1962-63 consumption of 8.4 million bales. Exports during the new season are expected to rise substantially above 1962-63 season exports of 3.3 million bales. Nine percent fewer acres were planted to cotton this year than last.

The tobacco crop for the 1963-64 season was indicated as of July 1 around 4 percent below production in the 1962-63 season. Reflecting a decrease in allotments, the estimated 694,000 acres of flue-cured for harvest is 5 percent below 1962. Price support for flue-cured in 1963 is one-half cent above support for the 1962 crop. Consumption of cigarettes in 1963 is expected to gain modestly over last year's record high. U. S. tobacco exports in calendar 1963 likely will show some gain over 1962.

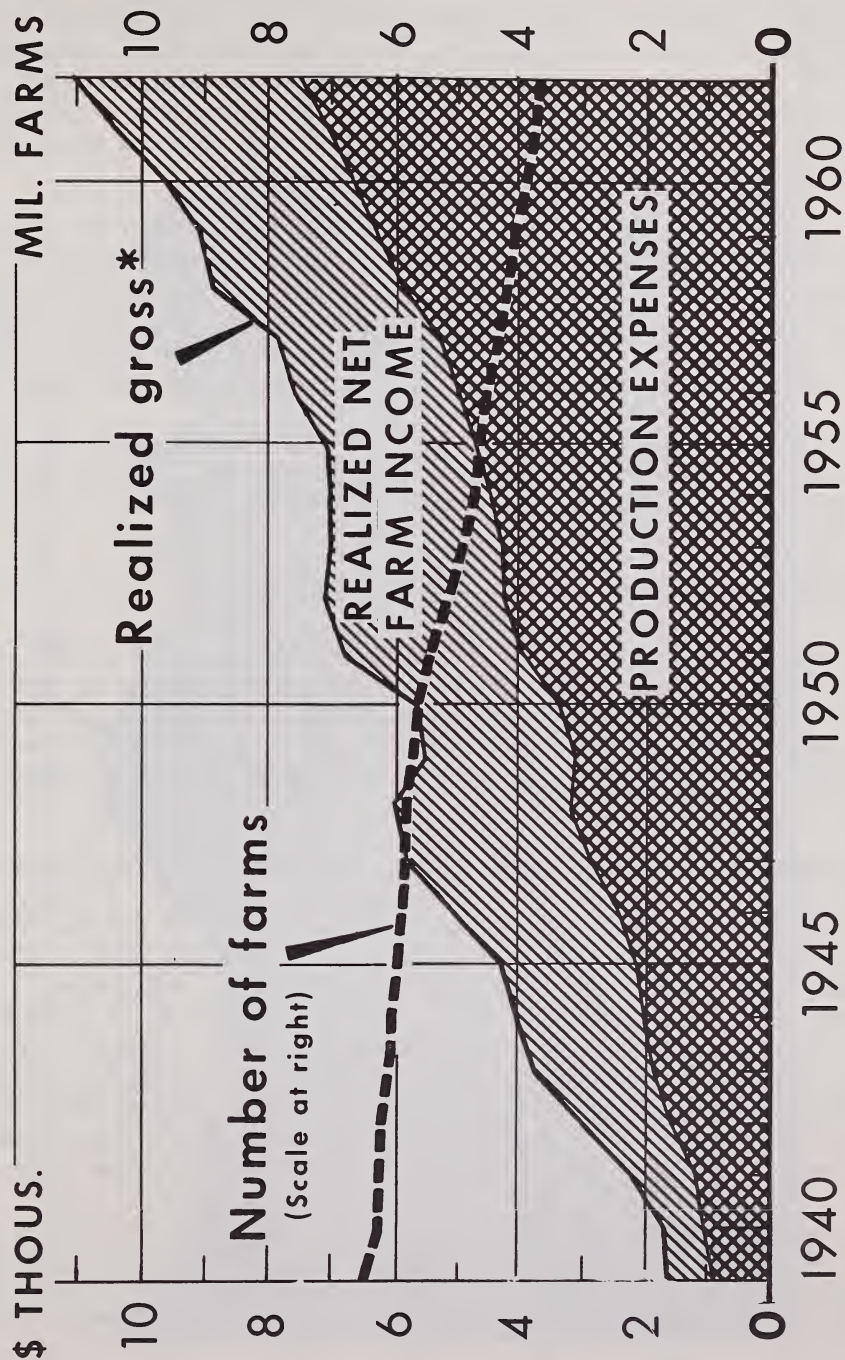
World production of centrifugal sugar during the 1962-63 crop year is estimated well below consumption in the same period. U. S. mainland sugar production in 1963 likely will show a substantial increase over 1962. U. S. prices began rising in January, reaching a peak in May. Prices received in July were substantially below the peak, but well above a year earlier. U. S. sugar prices next year may be close to those before 1963. World sugar prices next year are likely to be below the average levels of the first half of 1963, but are not expected to decline to the disastrously low levels prevailing during parts of 1961 and 1962.

GENERAL AGRICULTURAL SITUATION

Domestic Demand Strengthens
Further During First Half

Domestic and foreign demands for farm products during the first half of 1963 were above a year earlier. U. S. population increased around $1\frac{1}{2}$ percent from a year earlier, and disposable personal income rose nearly .5 percent. Per capita disposable income during the first half of 1963 was \$2,105, annual rate, nearly 3 percent above the \$2,044 income during January-June 1962.

FARM INCOME PER FARM



*INCLUDING GOVERNMENT PAYMENTS.

With increasing population and rising purchasing power, consumer spending for food and beverages in the first half totaled about 3 percent more than the \$84 billion expenditure a year earlier. Increased consumption expenditures reflected larger quantities and higher prices. The index of prices paid by farmers for food and tobacco during the first half of 1963 averaged 104 percent of its 1957-59 level, about 1 percent above the year-earlier level. The consumer price index also rose about 1 percent. Spending for textiles, leather, tobacco, and other nonfood farm products is running above a year earlier and is expected to rise further during the second half.

For the year, per capita food consumption likely will be little changed from 1962 consumption. Declines for eggs, fruit, and fish consumption are expected to about offset increases in per capita consumption of poultry, meat, dry beans and nuts. Red meat consumption per capita in 1963 is expected to run around 2 pounds more than the 164 pounds consumed in 1962. Among nonfood products, cigarette use per capita decreased slightly in 1962 from 1961.

Total cigarette consumption in 1963 is expected to gain modestly over 1962. Cotton consumption by domestic mills during the 1962-63 season was about 7 percent below the 9 million bales of the previous season.

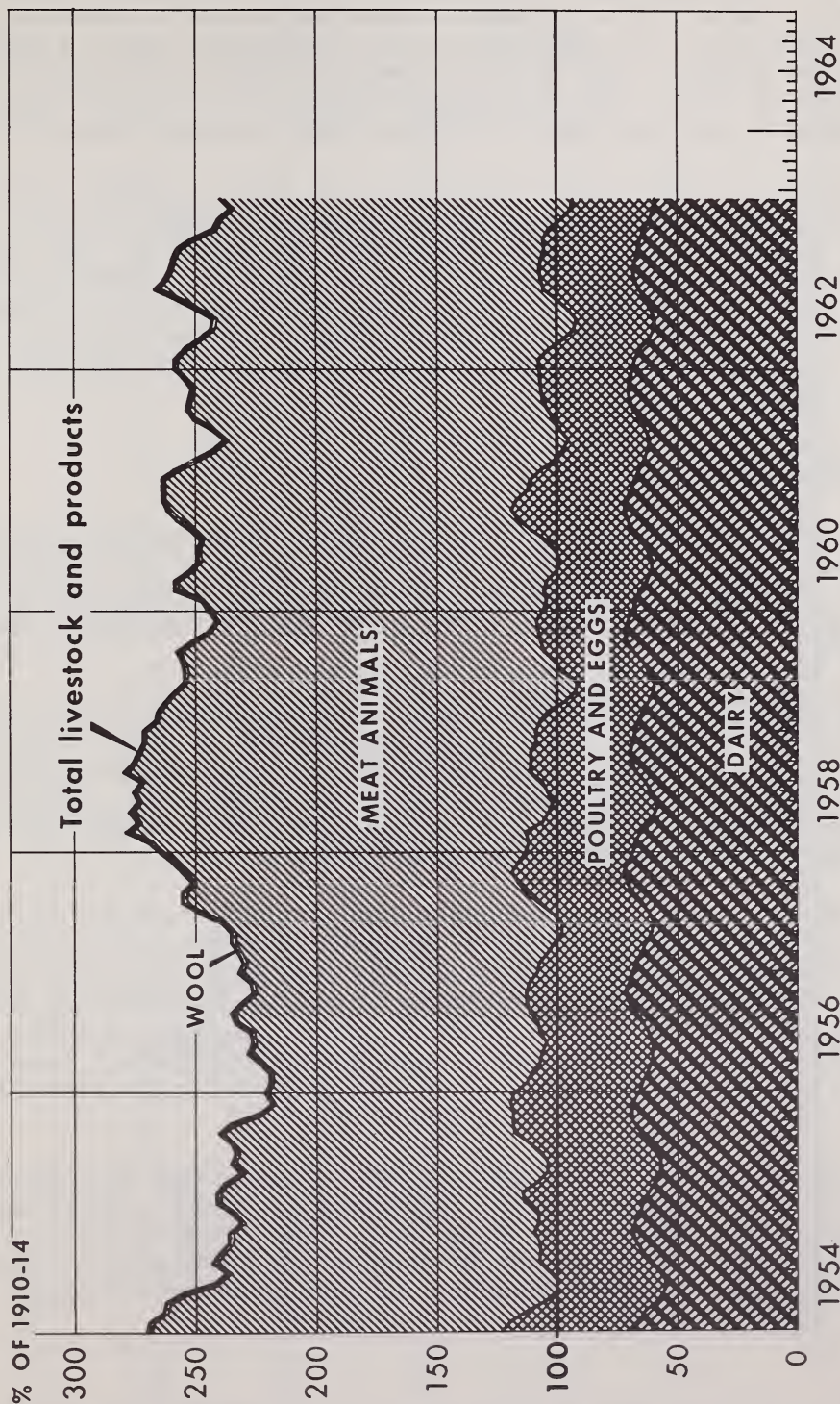
Price Level Affected by
Many Commodity Changes

The index of prices received by farmers, which stood at 245 percent of its 1910-14 average in mid-July, reflects aggregate changes in prices received for numerous specific farm-produced commodities. In July, 134 index points, or a little more than half the total, were based on prices received for livestock and livestock products; 111 points were based on prices received for crops.

Meat animal prices weigh heavily in the index of prices received by farmers for livestock and livestock products (see chart). In July when the livestock index was 249 percent of its 1910-14 base, 150 points reflected prices received for meat animals, principally cattle and hogs. With meat animal prices comprising more than half the livestock and products index, one might expect changes in the total to be a mere reflection of changes in meat animal prices. This can happen, but it doesn't always happen. For example, according to the chart, changes in the livestock and products index were largely reflections of changes in meat animal prices during 1955 and 1956. But from mid-1960 to mid-1962, changes in the total index were related to changes in prices received for dairy products and poultry and eggs.

Grain and cotton prices weigh heavily in the index of prices received by farmers for crops (see chart). In July, the index of crop prices stood at 239 percent of its 1910-14 base. The food grain group contributed 37 points; the feed grains and hay group, 42 points; and the cotton group, 43 points.

MEAT ANIMAL PRICES WEIGH HEAVILY IN INDEX OF PRICES RECEIVED BY FARMERS FOR LIVESTOCK AND PRODUCTS



SOURCE: AGRICULTURAL PRICES, PUBLISHED MONTHLY BY STATISTICAL REPORTING SERVICE, CROP REPORTING BOARD.

NOTE: THIS CHART SHOWS THE FOUR LIVESTOCK GROUPS COMPRISING THE INDEX OF PRICES RECEIVED FOR LIVESTOCK AND PRODUCTS. THE AREA COVERED BY EACH GROUP IS IN PROPORTION TO THE WEIGHT OF THE GROUP IN THE LIVESTOCK INDEX. THE SUM OF THE AREAS COVERED BY THE FOUR GROUPS EQUALS THE TOTAL INDEX.

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NEG. ERS 2198-63 (7) ECONOMIC RESEARCH SERVICE

These commodities comprised more than half of the crop index. However, like the livestock index, the crop index is not always a mirror image of a few dominant commodities. As indicated in the accompanying chart, factors producing a sharp price change in some specific commodity group often affect other commodity groups as well. Since some groups usually fall in price when others rise, the variation in the crop index is smaller than variations among the comprising groups.

The price of wheat weighs heavily in the index of prices received for food grains. This season, wheat prices are running around 18 cents below prices of wheat marketed from the 1962 crop. Changes in the 1963 wheat program permit lower market prices while maintaining income to farmers through payments-in-kind. An 18-cent reduction in the price of wheat lowers the index of prices received for food grains nearly 18 index points. It lowers the index of prices received for crops about 3 points and the price index for all farm products around $1\frac{1}{2}$ points.

Cash Receipts Increase During First Half

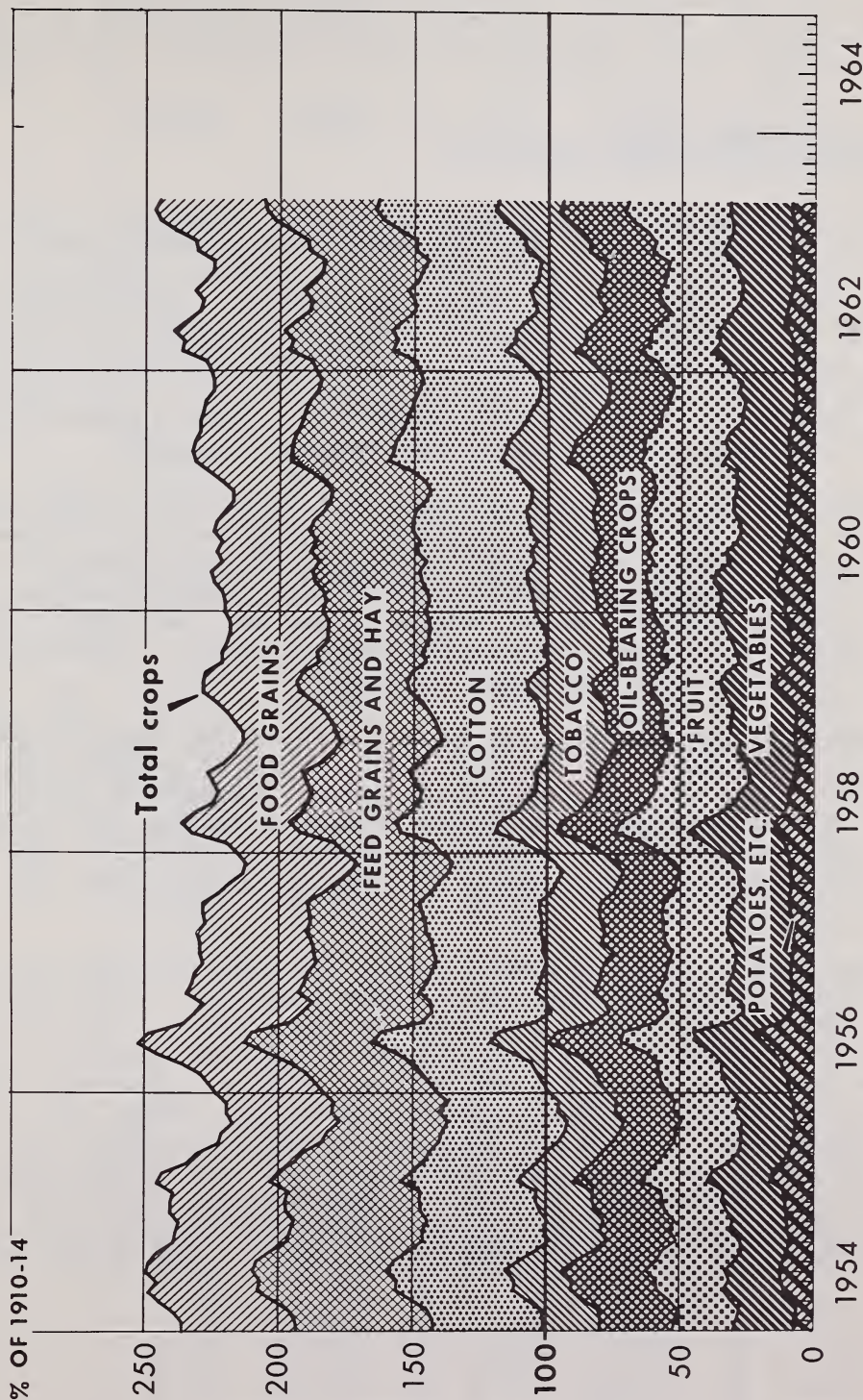
The high level of demand for farm products is maintaining the level of prices received by farmers despite an increase in the volume of marketings during the first half of 1963. Increased marketings of crops and livestock products led to about $1\frac{1}{2}$ percent larger cash receipts than during the first half of 1962.

Cash receipts from crop marketings increased substantially during the first half of 1963; an increased volume was marketed at higher than year-earlier prices. Corn, soybeans, and grain sorghums, each marketed in larger quantities at higher prices, contributed to the gain in crop receipts, although the 1962-63 price support level for soybeans was lower and that for corn and grain sorghums was the same as a year earlier.

On the other hand, an increased quantity of livestock and products, marketed at prices below a year earlier, resulted in smaller cash receipts from livestock and products during the first half of 1963. Lower meat animal prices during the first half generally reflected increases in production from year-earlier levels. Beef production during the first half was up around $6\frac{1}{2}$ percent; prices received for beef cattle averaged about 4 percent lower. Pork production rose about 4 percent; prices received for hogs decreased about 9 percent.

During the second half of 1963, livestock marketings are expected to continue above year-earlier levels. Livestock and product prices may run a little above prices received the first half. Meat animal prices are expected slightly above prices received the first half, but below those of a year earlier. Price decreases from 1962 levels are indicated for broilers.

GRAIN AND COTTON PRICES WEIGH HEAVILY IN INDEX OF PRICES RECEIVED BY FARMERS FOR CROPS



SOURCE: AGRICULTURAL PRICES, PUBLISHED MONTHLY BY STATISTICAL REPORTING SERVICE, CROP REPORTING BOARD.

NOTE: THIS CHART SHOWS THE EIGHT CROP GROUPS COMPRISING THE INDEX OF PRICES RECEIVED FOR CROPS. THE AREA COVERED BY EACH GROUP IS IN PROPORTION TO THE WEIGHT OF THE GROUP IN THE ALL-CROPS INDEX. THE SUM OF THE AREAS COVERED BY THE EIGHT GROUPS EQUALS THE TOTAL INDEX.

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Marketings from 1963 crop production likely will be at slightly lower average prices than for the 1962 crop. For all of 1963, little change in cash receipts from marketings of crops and livestock products by farmers is in prospect from last year's level of \$35.9 billion.

Volume of Marketings Buoyed
by Increased Agricultural Production

Mid-year indications point to slightly more production of agricultural products in 1963 than in 1962, when the index of farm output stood at 108 percent of its 1957-59 average. For livestock and products, production was up a little in the first half of 1963 from a year earlier. Larger production led to an increase of nearly 2 percent in the volume of marketings of livestock and products compared with a year earlier. For the year, production increases of beef, chicken, pork, and possibly turkey likely will more than offset prospective decreases in output of eggs and milk, leading to increased production and marketings of livestock and products in 1963 compared with 1962.

Total red meat production was about $4\frac{1}{2}$ percent above a year earlier during January-June. Beef production increases during the past 5 years reflected increases in the proportion of cattle on feed as well as increases in cattle numbers. Future changes in production likely will depend relatively more on changes in cattle numbers. Market weights so far this year were a little heavier than a year earlier. The average dressed weight of steers, for example, was nearly 20 pounds more than a year earlier.

Commercial hog slaughter was above a year earlier since October 1962. The number of pigs saved from the fall 1962 crop was $4\frac{1}{2}$ percent above that of a year earlier. This was reflected in a $4\frac{1}{2}$ percent increase in slaughter during the first half of this year. The number of pigs saved from the spring 1963 crop was indicated at 50 million head, up about $\frac{1}{2}$ percent from a year earlier. For the fall 1963 crop, little change from the relatively large crop of a year earlier is forecast.

Marketings of crops by farmers during the first half, up from a year earlier, largely were from carryover of prior production. Crop production in 1962 was about 1 percent above a year earlier and 8 percent above the 1957-59 average. For the 1963-64 crop year, planted acreage was estimated about 2 percent above the recent-low of the year before. However, unfavorable growing weather in some regions led to an indicated harvested acreage only 1 percent above a year earlier. Production increases in 1963 are probable for corn, grain sorghum, soybeans, and sugar beets. Domestic sugar beet acreage increased 19 percent from 1962 acreage; controls on domestic sugar production in 1963 and 1964 were removed when it became apparent world sugar supplies were tightening. Production decreases in 1963 are probable for cotton, oats, barley, hay, and tobacco.

Table 1.--Agricultural prices, marketings and income, 1961 to date

Item	Unit	1961				1962				1963			
		Year	Year	Year	Year	II	III	IV	I	II	I	II	II
Prices received by farmers	1910-14=100	240	243	241	245	244	245	244	242	241	242	241	
Crops	1910-14=100	227	230	236	229	225	229	225	233	245	233	245	
Livestock	1910-14=100	251	255	244	257	260	257	260	250	238	250	238	
Prices paid, interest, taxes and wage rates	1910-14=100	302	306	307	306	308	306	308	311	311	311	311	
Family living items	1910-14=100	291	294	295	294	295	294	295	297	297	297	297	
Production items	1910-14=100	266	269	269	269	272	269	272	274	273	274	273	
Parity ratio		80	79	79	80	79	80	79	78	77	78	77	
Volume of farm marketings	1947-49=100	135	136	108	138	181	138	181	126	108	126	108	
Crops	1947-49=100	128	130	64	136	216	136	216	114	62	114	62	
Livestock	1947-49=100	140	142	141	139	154	139	154	135	142	135	142	
Cash receipts from farm marketings ^{1/}													
Crops	Bil. dol.	34.9	35.9	6.9	9.1	12.0	9.1	12.0	8.2	6.8	8.2	6.8	
Livestock	Bil. dol.	15.5	15.9	2.2	4.2	6.5	4.2	6.5	3.4	2.2	3.4	2.2	
Farmers' realized net income ^{2/}	Bil. dol.	12.5	12.6	12.4	12.4	12.6	12.4	12.6	12.7	12.0	12.7	12.0	

^{1/} Seasonally adjusted annual rates are: 1962-II, \$35.6 billion; III, \$35.8 billion; and IV, \$36.2 billion. 1963-I, \$36.4 billion; II, \$35.6 billion.

^{2/} Seasonally adjusted annual rates.

For all products in 1963, production may total a shade larger than in 1962, leading to marketing increases about in proportion with expanding population. Prospectively higher prices this year than last for feed grains, fruit, eggs, turkey, and lamb likely will be more than offset by lower prices for wheat, beef, pork, and chicken. Overall, little change is anticipated in the value of farm production from the 1962 level.

Grain Stocks in all Positions
Lower on July 1

Stocks of wheat, feed grains, and soybeans in all positions were more than a tenth lower on July 1, 1963, than a year earlier (see table 2). Corn stocks were 14 percent smaller than on July 1, 1962 and wheat stocks were down 10 percent. Grain sorghum and soybean stocks were reduced 8 and 9 percent, respectively. Oat stocks were little changed, but barley stocks increased around 18 percent.

Most of the decreases in stocks depicted in table 2 were in mills, elevators, and warehouses. On-farm storage, which includes about one-third of all stocks indicated in the table, was around 7 percent below a year earlier.

Commodity Credit Corporation
Price-Support Investment

Continued reductions in Government holdings of feed grains and soybeans have not offset increases in other commodities; the Corporation's investment in loans and inventories totaled \$7,748 million on May 31, 1963, compared with \$6,959 million on May 31, 1962. Cotton holdings almost doubled and accounted for most of this increase; continued uncertainty regarding new cotton legislation prevailed in the trade. There were also significant increases in tobacco and wheat under loan.

Preliminary data indicate that CCC inventories of feed grains and wheat were reduced during June. Price-support extended through May on 1962 crops, including loans, direct purchases, purchase agreements, and special purchase programs, totaled 9 percent more than on 1961 crops for the comparable 11-month period.

Farm Expenses
Continue Rising

Farm production expenses this year apparently are running about a half billion dollars above the \$28.2 billion incurred in 1962 (see table 3). Farm production expenses have been mounting over the years as farmers continue to adopt labor-saving technologies, purchase proportionately more resources, and pay higher unit costs for production items. Farmers' investments in machinery and equipment may increase this year. Shipments by manufacturers of tractors, farm machinery, and equipment during the first half of 1963 were substantially above a year earlier; production of farm equipment in January-June 1963 was around 3 percent above year-earlier production.

Table 2.---Stocks of grains, July 1, 1963 with comparisons

Grain and Position	July 1, 1961	July 1, 1962	July 1, 1963
	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>
WHEAT (old crop)			
On Farms <u>1/</u>	136.9	102.3	95.7
Commodity Credit Corp. <u>2/</u>	70.6	59.5	34.8
Mills, Elev., etc. <u>1/ 3/</u>	1,203.7	1,160.0	1,058.9
Total*	1,411.2	1,321.9	1,189.4
CORN (old crop)			
On Farms <u>1/</u>	1,446.6	1,549.4	1,389.8
Commodity Credit Corp. <u>2/</u>	592.8	419.9	384.0
Mills, Elev., etc. <u>1/ 3/</u>	776.7	504.0	344.7
Total*	2,816.1	2,473.3	2,118.5
OATS (old crop)			
On Farms <u>1/</u>	267.8	228.7	234.1
Commodity Credit Corp. <u>2/</u>	.8	1.7	2.7
Mills, elev., etc. <u>1/ 3/</u>	56.0	46.2	40.3
Total*	324.6	276.6	277.2
BARLEY (old crop)			
On Farms <u>1/</u>	65.4	48.0	66.9
Commodity Credit Corp. <u>2/</u>	13.3	7.3	9.5
Mills, elev., etc. <u>1/ 3/</u>	74.0	68.4	69.3
Total*	152.8	123.7	145.7
SORGHUM			
On Farms <u>1/</u>	54.4	41.5	46.0
Commodity Credit Corp. <u>2/</u>	5.4	4.8	4.3
Mills, elev., etc. <u>1/ 3/</u>	694.2	699.5	639.4
Total*	754.0	745.8	689.7
SOYBEANS			
On Farms <u>1/</u>	11.4	40.7	36.5
Commodity Credit Corp. <u>2/</u>	.0	.0	.0
Mills, elev., etc. <u>1/ 3/</u>	80.9	111.4	101.5
Total*	92.3	152.2	138.0

1/ Estimates of the Crop Reporting Board.

2/ Owned by CCC and stored in bins or other storages owned or controlled by CCC; other CCC-owned grain is included in the estimates by positions.

3/ All off-farm storages not otherwise designated, including flour mills, terminal elevators, and processing plants.

*Totals from unrounded data.

Most increases in farm production expenses this year are appearing under current operating expenses. Expenditures for taxes and mortgage interest are continuing their steady rise, and depreciation is running a little above a year earlier. Expenses for hired labor likely will be little changed, with increased wage rates about offset by reduced hiring.

Table 3.--Farm production expenses, 1958-1962, in current dollars

Year	Current operating expenses <u>1/</u>	Hired labor	Depre- ciation	Taxes and mortgage interest	Net rent to non- farm land- lords <u>2/</u>	Total
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
1958	15,398	2,895	3,948	1,870	1,161	25,272
1959	16,065	2,960	4,147	2,017	1,011	26,200
1960	15,964	2,949	4,137	2,185	1,007	26,242
1961	16,640	3,019	4,091	2,318	1,123	27,091
1962	17,538	3,008	4,154	2,469	1,033	28,202

1/ Does not include hired labor.

2/ Includes Government payments to nonfarm landlords. These payments were \$149 million in 1961.

Feed expenditure increases are important in the changes in operating costs this year; the quantity of concentrates fed is running around 1 percent above a year earlier, feed grain prices are up about 4 percent. Feeding rates have been rising over the past few years because livestock/feed price ratios have been relatively favorable. This year, feed prices generally are increasing relative to livestock prices, and overall feeding rates are not likely to change much from recent averages. However, feeding rates are up further this year for some classes of livestock. For dairy cattle, where pasture conditions have been below average, increased feeding of concentrates per head substituted for some forage consumption. But overall, increased domestic disappearance of feed this year apparently is largely a reflection of more livestock.

Unit costs of items farmers buy are running nearly 2 percent more this year than last (see table 4). Rising unit costs this year point to a lower parity ratio, or ratio of prices received by farmers to prices paid, and are contributing to the rise in farmer expenditures. Prices paid for production items other than interest, taxes, and wages are rising above a year earlier faster than prices for family living. Unit costs for feed, seed, motor vehicles, and farm machinery are indicated up more than the average increase for all production items, while unit costs of feeder livestock, fertilizer, and building and fencing supplies are indicated lower.

Table 4.--Parity index and parity ratio

Time period	Parity index -- 1910-14 = 100						Parity ratio 4/
	Family living items	Production items	Interest 1/	Taxes 2/	Wage rates 3/	All items	
1958	287	264	176	478	574	294	85
1959	288	266	194	506	612	297	81
1960	290	265	213	545	631	299	80
1961	291	266	232	588	641	302	80
1962	294	270	241	625	660	306	79
1962:							
I	294	268	258	625	652	305	80
II	295	269	258	625	666	307	79
III	294	269	258	625	662	306	80
IV	295	272	258	625	658	308	79
1963:							
I	297	274	276	654	663	311	78
II	297	273	276	654	683	311	77

1/ Interest payable per acre on farm real estate debt.

2/ Farm real estate taxes payable per acre (levied in preceding year).

3/ Seasonally adjusted.

4/ Ratio of index of prices received to index of prices paid, interest, taxes and wages rates (parity index).

Little Change in Cash Receipts Indicated for 1963

During the first and second quarter, realized net farm income was \$300 to \$400 million below income a year earlier, at seasonally adjusted annual rates. For all of 1962, realized net farm income (recently revised) total \$12.6 billion.

For this year, little changes is likely in the level of cash receipts from marketings of farm products from the \$35.9 billion receipts in 1962. Crop prices and marketings probably will change little from 1962, and the increase in livestock marketings may about offset lower prices for livestock and products. Increased receipts are anticipated for feed grains, soybeans, potatoes, and sugar beets; smaller receipts are likely for cotton, hogs, and milk. Inasmuch as cash receipts of farmers this year are indicated around the level of 1962, spending power from agriculture for all goods and services (including production and consumption items) will be sustained in 1963.

FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

Domestic Demand

Gross national product rose \$7.2 billion in the second quarter from the first. All major components participated in the rise. Consumption increased \$2.6 billion, residential construction \$2.2 billion and business fixed investment \$1.6 billion. Inventory accumulation declined from a \$5.1 billion rate in the first quarter to a \$3.5 billion rate in April-June. Government purchases totaled \$123.5 billion, \$0.5 billion above the revised first-quarter rate.

The \$579 billion level of output during the second quarter of this year was \$79 billion above the low in the first quarter of 1961. Strong increases in demand for consumer goods and services and for government purchases swelled the current expansion during the first 8 quarters; investments lagged during much of the period. However, during the recent quarter, consumption and government expenditures rose somewhat modestly while substantial investment gains were indicated from a quarter earlier. Further investment increases are indicated during the remainder of 1963.

Industrial production rose to 124 percent of the 1957-59 average in the second quarter from 120 in the prior period. Employment increased to 68.7 million persons, after seasonal adjustment. Growth in the labor force offset employment gains, yielding the same rate of unemployment as in the first quarter, 5.8 percent. Personal income, at \$460 billion in April-June, was more than 4 percent above a year earlier.

Mid-year revisions in the national income accounts place GNP at \$554.9 billion in 1962, \$1.0 above preliminary estimates. Except for inventory accumulation and expenditures for services, the revisions among the major components of gross national product were small. The rate of inventory accumulation was substantially higher during the past 6 quarters than estimated earlier. Consumer expenditures for services were overestimated by \$1.4 billion in 1962. The revisions did not change the preliminary first-quarter estimate of \$571.8 billion for total income and expenditure, but some of the components were revised.

Income and Expenditure

Personal income in the second quarter totaled \$460 billion, annual rate. This was \$6 billion higher than the first quarter and \$20 billion above the second period of 1962. Most of the increase was in payrolls, particularly private disbursements. Private payroll disbursements, which account for over one half of personal income, rose to a level 4 percent higher than the second quarter of last year. In June, when civilian employment passed the 70 million mark (not seasonally adjusted), average hourly earnings in manufacturing rose to \$2.46 and average weekly earnings in manufacturing exceeded \$100.

Other economic factors affecting Agriculture (seasonally adjusted annual rates)

Item	Unit	Year 1962	1962				1963	
			II	III	IV	I	II	2/
Gross national product	Bil. dol.	554.9	552.4	556.8	565.2	571.8	579.0	
Personal income	Bil. dol.	442.1	440.7	444.5	449.9	453.9	459.9	
Disposable personal income	Bil. dol.	384.4	382.7	386.5	391.4	394.5	399.9	
Personal consumption expenditures	Bil. dol.	355.4	352.9	356.7	362.9	367.4	370.0	
Durable	Bil. dol.	48.2	47.5	47.7	50.5	50.6	50.9	
Nondurable	Bil. dol.	161.4	160.6	162.5	163.6	165.3	165.7	
Services	Bil. dol.	145.7	144.8	146.6	148.9	151.4	153.4	
Personal saving	Bil. dol.	29.1	29.8	29.7	28.5	27.1	29.9	
Net government receipts	Bil. dol.	113.0	113.4	114.0	114.8	118.8	---	
Purchases of goods and services	Bil. dol.	117.0	115.5	117.0	120.2	123.0	123.5	
Deficit or surplus (on income and product account)	Bil. dol.	-4.0	-1.9	-3.0	-5.4	-4.2	---	
Gross private domestic investment	Bil. dol.	78.8	79.6	78.9	78.8	77.8	80.0	
Fixed investment	Bil. dol.	73.2	73.2	75.3	74.9	72.7	76.5	
Change in business inventories	Bil. dol.	5.5	6.5	3.6	4.0	5.1	3.5	
Expenditures for plant and equipment	Bil. dol.	37.31	36.95	38.35	37.95	36.95	1/38.40	
Corporate profits	Bil. dol.	47.0	46.5	46.1	49.3	48.8	---	
Net exports of goods and services	Bil. dol.	3.8	4.4	4.1	3.3	3.6	5.5	
Overall foreign trade balance	Mil. dol.	-2,186	-1,808	-1,424	-3,172	2/-3,224	---	
Population	Millions	186.6	186.3	187.0	187.7	188.4	189.0	
GNP deflator (1962)	1962=100	100	99.8	100.2	100.5	100.9	101.3	
Per capita disposable personal income (1962 prices)	Dollars	2,060	2,059	2,065	2,075	2,075	2,097	
Cash receipts from farm marketings, annual rate	Bil. dol.	35.9	35.6	35.8	36.2	36.4	35.6	
Realized net farm income, annual rate	Bil. dol.	12.6	12.4	12.4	12.6	12.7	12.0	

1/ Estimates based on anticipated capital expenditures as reported by business in late May 1963.
 2/ Preliminary.

Department of Commerce, Agriculture and Securities and Exchange Commission.

Dividend payments in the second quarter were up \$1 billion from a year earlier reflecting recent high levels of corporate profits. Government wages and salary disbursements in April-June, although unchanged from the first quarter, were 6 percent above a year earlier. Personal interest income was 8 percent above April-June last year and transfer payments were up about 6 percent.

Consumer spending edges upward

Expansion in income and a supporting rise in installment credit outstanding was associated with only a modest rise in consumer expenditures in the second quarter from January-March. Savings as a percent of disposable personal income increased to 7.5 percent, around year-earlier levels but up from the first-quarter rate of only 6.9 percent. Total consumer spending was at a \$370 billion annual rate, only \$2.6 billion higher than in the previous quarter but more than \$20 billion above a year earlier.

Expenditures for durable and nondurable goods each inched up about \$0.3 billion. Retail sales have been on a plateau since February. Manufacturers' sales were on a plateau in April-June at a level 3 percent higher than in the previous quarter. The sluggish increase in consumer spending for goods in April-June spread across product groups and was not concentrated in any particular group.

Most of the gain in consumer expenditures in the second quarter was for services. Spending for services in April-June totaled \$153.4 billion, annual rate, \$2.0 billion above the previous quarter and \$8.6 billion above a year earlier. Services includes expenditures for medical care, education, repair of autos and other durable equipment, recreational activities, transportation, personal care, and shelter. Expenditures connected with shelter include the rental value of all housing as well as such services as electricity and gas. Shelter expenditures account for about 46 percent of total outlays for services. Medical-care expenditures constitute about 13 percent and financial services 15 percent.

Private Investment

Gross private domestic investment, at \$80.0 billion annual rate, rose \$2.2 billion in the second quarter from the first quarter. Investments during the second quarter were slightly above a year earlier; the rate of investment slowed during the intervening quarters.

Housing outlays up

Residential construction, at \$24.9 billion in April-June, was above the previous peak of \$24.2 billion reached in the third quarter of 1962. Housing starts surged to record levels in May from relatively low first-quarter levels. New authorizations regained much of the ground lost during early spring, pointing to continued high residential construction.

Plant and equipment Spending Rises

Spending for producers' durable equipment rose \$1.7 billion in the second quarter after dipping nearly \$1 billion in the previous quarter. Expenditures for equipment rose in each of 6 consecutive quarters prior to the first quarter of this year. Expenditures for plant were about the same in the second quarter as in the first.

According to a Department of Commerce survey in May, businessmen plan to spend \$39.2 billion for plant and equipment in 1963, the same as they planned to spend last January and 5 percent more than was spent in 1962. Actual plant and equipment outlays during the first quarter were \$1 billion below a quarter earlier. The decline in the first quarter occurred in nondurable goods, mining, public utilities, and commercial industries. The May survey indicates second-quarter spending for new plant and equipment at a record-high \$38.4 billion with outlays rising in each major industry group.

Plant and equipment spending is expected to increase another \$1.6 billion in the third quarter. To average \$39.2 billion in 1963, fourth quarter spending would have to spurt to a \$41.6 billion annual rate.

Businesses accumulated inventories at a \$3.5 billion annual rate in the second quarter. This was \$1.6 billion below the first quarter and \$3.0 billion below a year earlier. Much of the inventory accumulation in the first and second quarters reflected stockpiling of steel as a strike hedge. Higher-than-expected levels of demand for steel products kept the actual buildup of users' steel stocks below that of last year, but reduction of steel inventories likely will result in a substantially lower rate of inventory accumulation in the third quarter.

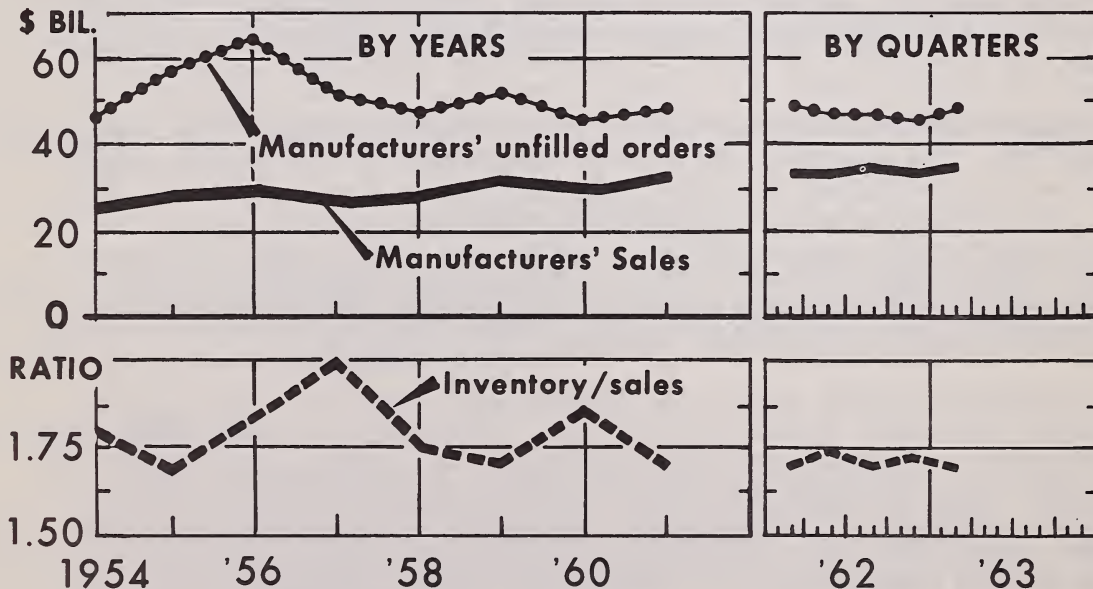
Significant revisions were made in the inventory accumulation series for 1961 and 1962. The quarterly pattern was accentuated in the revised figures compared with the original estimates, and the rate of accumulation was much higher. The revisions ranged from -\$0.7 billion for the first quarter of 1961 to +\$2.8 billion for the fourth quarter of 1962. For all of 1962, accumulation was \$5.5 billion compared with the \$3.2 billion rate originally estimated. For the first quarter of 1963, \$5.1 billion, annual rate, was added to inventory stocks rather than the preliminary estimate of \$3 billion.

Inventory-to-sales ratios for manufacturing and trade firms suggest that, except for steel, inventories are well in line with current sales. The combined ratio for manufacturing and trade was 1.46 in the second quarter compared with 1.47 in the previous quarter and 1.48 a year earlier. A slight downtrend is evident in the inventory-to-sales ratio of manufacturing firms. In recent years, new inventory control techniques and steady reductions in backlogs enabled manufacturers to operate with relatively smaller inventory stocks.

Manufacturers' order backlogs have been trending downward since 1956 (see chart). The trend was interrupted during the 2 most recent expansions and during the period of the build-up in steel inventories this spring. The reduction in backlogs is likely to be resumed in the third quarter as steel inventories are again brought into line with production needs. Reductions in new orders received by steel companies in June have already reduced the level of new orders received by manufacturers to a level below current sales. The gradual shortening of backlogs over the past few years has resulted in shorter delivery periods and consequently lower inventory-to-sales ratios.

Continued shortening of backlogs points to little change in the down-trend in the inventory-to-sales ratio and may eventually result in production schedules much more responsive to current sales.

MANUFACTURERS' UNFILLED ORDERS, SALES AND INVENTORY/SALES RATIO



SOURCE: U. S. DEPT. OF COMMERCE.

NOTE: END OF YEAR DATA 1954-61; SEASONALLY ADJUSTED END OF QUARTER DATA 1962 TO DATE.

Government Demand

Government purchases of goods and services increased to \$123.5 billion in the second quarter from \$123.0 billion in the first quarter and \$115.5 billion a year earlier. The gain in April-June was substantially less than the \$2.8 billion gain of the previous quarter. Federal purchases increased to \$66.2 billion, \$0.7 billion above the first quarter and \$4.3 billion above a year earlier. Defense spending, which accounts for about 85 percent of all Federal purchases, increased \$0.4 billion in the April-June period. While the increase in defense spending was small relative to changes in recent quarters, it was the major contributor to the small increase in total Government purchases. The Federal deficit for the fiscal year just ended was put at \$6.2 billion (administrative budget), about \$2.5 billion less than was anticipated in the budget message last January. Expansion in business activity resulted in higher revenues than previously anticipated.

Purchases by State and local governments declined \$0.2 billion in the second quarter from the first and totaled \$57.3 billion. Over the past few years State and local purchases increased about \$4 billion per year. Major factors causing the expansion in State and local outlays have been the growth in school enrollment and highway building programs. State and local employment has been increasing about 300 thousand persons per year. This adds about \$1.3 billion each year to payroll costs. Wage and salary increases add another \$1 billion. Outlays for construction of schools, roads, hospitals, and other public facilities have been increasing about \$1 billion per year, and purchases of equipment account for the remainder of the yearly increase.

Production and Employment

The Federal Reserve index of industrial production in the second quarter rose to 124 percent of the 1957-59 average. This was 3 percent above the previous quarter and more than 5 percent above a year earlier. Output increased in most industry groups.

During April-June, steel production was at an abnormally high level as steel users accumulated strike-hedge inventories. Production in the iron and steel industry peaked in May at 129 percent of the 1957-59 average. In June, steel output was declining in response to successful negotiation of a labor contract, and for the month was 123 percent of the 1957-59 average. The production rate in the steel industry is expected to be substantially lower in the third quarter, but not as low as the third quarter of last year, when output was only 91 percent of the 1957-59 average.

Production in the automobile industry was very strong in the second quarter. The index of automobile production averaged 147 percent of 1957-59 compared with 139 percent in the first quarter and 135 percent a year earlier. Output of other durable goods and most nondurable goods rose in the second quarter. The total index of industrial production rose steadily throughout the period and in June was a record-high 125 percent of the 1957-59 average.

Employment Higher

Increased output in the second quarter was accompanied by substantially higher employment. Seasonally adjusted employment averaged 68.7 million persons in April-June, about 420,000 more than the first quarter and about 1 million more than a year earlier.

From the first to the second quarter, the labor force expanded by about as much as employment, to 73 million persons. This was 1.3 million more than the labor force a year earlier. Unemployment in April-June averaged 5.8 percent of the labor force, the same as the previous quarter but slightly higher than a year earlier.

Prices and Interest Rates

Urban consumer prices in April-June inched up to 106.3 percent of the 1957-59 average, somewhat above the first quarter and about 1 percent above a year earlier. Retail food prices were down somewhat from the first quarter, but the cost of medical care and other services continued upward. The index of prices paid by farmers for family living items, at 298 (1910-14=100) in the second quarter, was about the same as in the previous quarter and about 1 percent above a year earlier.

The quarterly expansion in the money supply was about half the addition of the previous 2 quarters; currency plus demand deposits totaled \$149.5 billion in the second quarter. The supply of money expanded sharply during the first quarter of this year and the fourth quarter of last year. But during the third quarter of 1962 the supply of money contracted slightly.

The Federal Reserve System is again exerting upward pressure on interest rates. The yield on 3-month Treasury bills rose from 2.91 percent in April to 3.20 percent in mid-July. The rate on U. S. Government long-term bonds did not increase as much as the bill rate, rising from about 3.97 percent in April to 4.04 percent in mid-July.

Balance of Payments

The U. S. balance of payments showed a deficit of \$3.2 billion, annual rate, during the first quarter of 1963. This was substantially above the \$2.3 billion of the like period a year earlier and above the \$2.2 billion deficit for 1962 as a whole.

Exports of goods and services exceeded imports by a \$4.8 billion annual rate in the first quarter. This surplus was \$0.5 billion higher than in the fourth quarter of 1962 and about equal to the surplus on goods and services for all of last year. During the first quarter a deficit of \$3.7 billion was realized in the Government sector, and \$3.8 billion on the private capital account.

Outflows of capital and Government grants are major components of the deficit. Recently, actions were taken to reduce the payments deficit by stemming capital outflows. The rediscount rate was increased in July to $3\frac{1}{2}$ percent from 3 percent, signalling the intention of Federal Reserve authorities to make short-term interest rates in the United States more competitive with those abroad. The maximum rate that member banks may pay on time deposits was increased. President Kennedy proposed that Congress enact a tax on investment in foreign securities.

FOREIGN TRADE

Foreign Demand Strengthening

Economic activity in those industrial nations abroad accounting for the largest part of U. S. commercial sales showed some signs of strengthening in recent months. Growth in these nations was relatively slow in late 1962 and early 1963. Rising costs resulting primarily from higher wages are squeezing profit margins in most Western European countries. However, wage increases are contributing to growing personal incomes and, with full employment, to growing consumer demand.

Second-quarter surveys of businessmen in the Common Market countries and in Great Britain indicate more optimism for the business outlook than similar surveys earlier this year. Official foreign holdings of gold and dollars, which increased at a slower rate in 1962 than previously, continued upward in the first quarter of 1963 at a rate about the same as, or perhaps slightly accelerated over, the rate for 1962.

Weather Conditions in Importing
Countries May Stimulate
Agricultural Trade

Adverse weather conditions in major importing areas have curtailed foreign production of some major crops and may stimulate agricultural trade during the 1963-64 season. Wheat production in the Northern Hemisphere in 1963 is expected to be smaller than in 1962, principally because severe winter weather caused a decline in Western Europe from the record 1962 crop. In Japan, unfavorable spring weather sharply reduced the output of wheat and barley. On the other hand, North American production likely will be somewhat larger than last year; a record crop is reported in India, and a near-record crop in Pakistan. In 1962-63, world production of corn and oats was little changed from the preceding year, while barley production increased nearly 10 percent. In Western Europe, our principal dollar customer, the increase in barley production was partially offset by declines in other feed grains.

U. S. soybeans and soybean meal, which are important as dollar-earning exports, enjoy a growing world market with limited competition. Foreign production of soybeans has not expanded sufficiently to meet expanding demand, particularly for meal. Exports from Red China are continuing relatively small. The low level of olive oil production in 1962 and the marked increase in oil consumption by the less advanced countries have been a major factor in the sharp increase in soybean oil exports. A part of the expansion has been due to the increased movement of fats and oils under P.L. 480 programs.

The large 1962 U. S. cotton crop faces strong competition from an estimated record foreign free world production of 21.4 million bales in 1962-63, up 2.1 million bales from the preceding year. Prospects are for smaller cotton crops abroad in 1963; U. S. planted acreage this year is smaller than in 1962.

Dollar Sales Bolster

U. S. Agricultural Exports

U. S. agricultural exports totaled an estimated \$5,100 million in fiscal 1962-63, down slightly from the record \$5,142 million the preceding year. Record shipments in the spring months pushed agricultural exports in the first half of this year about 3 percent ahead of a year earlier. In 1962-63, exports were supported by increased commercial sales, while exports under Government-financed programs declined slightly. Declines in cotton, wheat, tobacco, inedible tallow and poultry meat exports were nearly offset by gains in soybeans and oilseed products, feed grains, rice, vegetables and preparations, and dairy products.

Agricultural exports under Government-financed programs in fiscal 1962-63 totaled over \$1.5 billion, slightly below the \$1.6 billion exported in the preceding year. Exports for foreign currencies under Title I, which totaled \$1.0 billion in 1961-62, rose to nearly \$1.1 billion in 1962-63. Exports under Title III donations and the new Title IV long-term credit arrangements were up and offset declines in barter and the Agency for International Development (AID) Programs. Although shipments under Title II lagged behind the preceding fiscal year for the first 3 quarters of 1962-63, preliminary estimates indicate fourth-quarter shipments were unusually heavy, and Title II may have reached the level of 1961-62 for the year as a whole. On the basis of preliminary reports: Exports of edible vegetable oils, feed grains, and wheat under Government programs declined somewhat; dairy products under programs increased; and cotton was about equal to the preceding year.

U. S. agricultural imports for consumption gained in fiscal 1962-63 over the last fiscal year. Imports rose 4 percent, from \$3,478 million in July-May 1961-62 to \$3,616 million in the same months of 1962-63. Most of the increase was in commodities partially competitive with domestic production, particularly meats and cane sugar. Noncompetitive agricultural imports were near the level of the preceding year.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

Total red meat production in the first half of 1963 is estimated at 14.5 billion pounds, up 4.5 percent from 13.9 billion in the first half of 1962. In types of meat produced, there was about 6.5 percent more beef, 4 percent more pork, 12 percent less veal, and 9 percent less lamb and mutton than a year earlier. The increase in beef production mainly was in fed beef and occurred largely in the second quarter.

Livestock prices in the first half of this year generally reflected changes in meat production from year-earlier levels. The average price received by farmers for beef cattle was about 4 percent below a year earlier, the price received by farmers for hogs was down about 9 percent, calf prices were fractionally lower, and lamb prices averaged about 8 percent higher.

There were 6,830,000 cattle and calves on feed July 1 in 28 major feeding States, 11 percent above a year earlier. The North Central States were up 13 percent while the 11 Western States were up 7 percent. All weight groups showed increases over last year. The total number of cattle and calves on feed over 900 pounds was up 17 percent. These animals likely will be slaughtered during the third quarter. Cattle feeders reported intentions to market 3,792,000 head out of the July 1 inventory during the third quarter. If these intentions are carried out, third quarter marketings of fed cattle would be about 9 percent larger than in the same months of 1962 and also almost as large as during the second quarter of this year.

Choice steer prices declined at Chicago rather steadily from the end of 1962 until the third week of June when they averaged \$22.60. Only 3 weeks later they recovered to average \$25.09. With a continuing large supply of fed cattle in sight for the third quarter, prices are expected to hold relatively steady at the mid-July level. Some further increase may occur in the fourth quarter. However, the rise likely will not be as substantial as a year earlier when prices rose from \$25.02 in June to \$30.47 in November.

A calf crop of 41,819,000 head is expected this year. This is a 2 percent increase and the largest calf crop since 1955. The larger calf crop was the result of more cows and heifers on farms, because the ratio of calves born per 100 cows and heifers 2 years old and older January 1, 1963, was 86, the same as in 1962.

The spring pig crop is the primary source of slaughter hogs in the last half of the year. According to the Crop Reporting Board, the 1962 spring pig crop (farrowed from December 1962 through May 1963), was 50.0 million head, or 1 percent larger than a year earlier. The number of sows farrowing was almost

the same, but the number of pigs saved per litter rose from 7.08 in 1962 to a near-record 7.14 this spring. This boosted the crop slightly above a year earlier. Pork production through the summer is supplemented by a seasonal increase in sow slaughter. Sow slaughter the first 5 months of 1963 averaged about 3 percent below a year earlier.

There were 320 million pounds of pork either frozen or in coolers on July 1. This was 36 million pounds below June 1, but 9 percent above July 1, 1962. These stocks will add to fresh slaughter supplies this summer--when barrow and gilt slaughter is seasonally low--and will have a tempering effect on the advance in hog prices.

Hog prices in March and April 1963 were at their lowest level since February 1960, but, by mid-year, recovered to about the mid-1962 level. Barrows and gilts at 8 markets combined averaged \$18.25 the first 3 weeks in July compared with \$18.08 the same weeks last year. There may be a small additional gain in August. Prices probably will be relatively stable through September.

The number of sows farrowing in March-May was only a little larger than a year earlier, so hog slaughter the latter part of this year probably will be much the same as in 1962. The hog price outlook for this fall is good. Only a modest seasonal drop in prices is expected, with prices at the low point holding near last year's level.

Producers reported intentions to farrow about 1 percent more sows during the 1963 fall farrowing season than in the comparable period last year. If these intentions are carried out, and if supplies of beef continue at high levels, hog prices likely will drop sharply again in the winter of 1964, going almost as low as last winter and early spring, because per capita supplies of pork in the first half of 1964 would be about the same as in the first half of 1963.

Lambs from major producing areas in the North and West make up a large proportion of the supplies of slaughter lambs in the summer and fall. The total lamb crop is down 4 percent. Thus, lamb slaughter will increase seasonally during the next few months, but probably will remain 5 to 8 percent under the 1962 rate.

Lamb prices during the last 6 months of the year are expected to follow the same pattern as in 1962 and average about the same or slightly higher throughout the period. Choice slaughter lambs at Denver averaged \$20.50 the last half of 1962. Any increase in price probably will be less than in proportion to the expected decline in lamb slaughter, because demand for lamb is relatively elastic and there will be more price competition in the second half from beef and broilers than a year earlier.

Dairy Products

Milk production in June was 11,862 million pounds, 0.5 percent below a year earlier. Production in the first half of 1963 was 65.7 billion pounds,

0.6 billion pounds below 1962, a decline of 0.9 percent. The smaller decline in June is attributable partly to an improvement of pasture conditions during the month in the South and considerably better pasture conditions in important Northeastern States than the drought situation a year ago. Milk production in the second half of 1963 likely will be closer to 1962 levels than in the first half, if feed conditions in the important milk-producing States of the North Central region do not deteriorate further.

Farmers received \$3.74 per 100 pounds for all wholesale milk in June, down seasonally from May, but 2 cents above June 1962. Price changes from a year earlier in the third quarter will be small, but usual seasonal increases are expected. The price of manufacturing-grade milk averaged \$3.11 in the second quarter, 3 cents above a year earlier.

In June the price farmers received for wholesale milk sold in fluid milk markets was \$4.11, only 1 cent above a year earlier and 3 cents below May. This reflects the slight increase in the proportion of milk receipts in fluid-milk markets going to fluid use. In 80 comparable Federal-order markets, fluid use averaged 60 percent of receipts in January-May 1963, compared with 59 percent a year earlier. January-May receipts of milk in these markets were 2.0 percent above a year earlier; use of milk for fluid purposes gained 3.2 percent.

Milk used in major manufactured dairy products during the first 5 months of 1963 was 4.6 percent less than a year earlier. This reflects slightly lower milk production and an increase of approximately 2 percent in sales of fluid milk products. Manufacture of cheese, evaporated milk, and ice cream increased slightly, while manufacture of dry whole milk and nonfat dry milk was somewhat lower than a year earlier. Butter production in the first half of 1963 was about 8 percent below a year earlier. Prospects in the second half are for the output of manufactured milk products to be somewhat lower than year-earlier levels.

Manufactured dairy products taken by commercial outlets in January-June 1963, amounted to an estimated 26.3 billion pounds of milk equivalent, nearly 3 percent higher than a year earlier. Increased use of butter and cheese accounted for the rise. First half data indicate a moderate gain over 1962 will occur in consumption from commercial sources in 1963, but probably not sufficient to return to the 1960 level. USDA purchases (delivery basis) during the first 6 months of 1963 were 264 million pounds of butter, 41 million pounds of Cheddar cheese, and 675 million pounds of nonfat dry milk. This amounts to 6.0 billion pounds of milk equivalent, down 26 percent from the 8.2 billion pounds acquired by USDA in the same period of 1962, but still above the 4.3 billion pounds, milk equivalent, in the first half of 1961. Nonfat dry milk deliveries were 20 percent lower than the 840 million pounds in the first 6 months of 1962. With the improving commercial demand, acquisitions in the last half of 1963 may fall below the 2.4 billion pounds of milk equivalent acquired in July-December 1962.

Urban retail prices of all dairy products, as reported for June by the Bureau of Labor Statistics, were slightly above a year earlier. Price changes were small for all products.

Poultry and Eggs

Broiler production has been quite responsive to price and cost changes during the past 12 months. Particularly significant was the cutback in chick placements last winter in response to lower broiler prices and higher feed costs. This cutback seems related to a temporary reduction in the broiler industry's production potential, which occurred during and after the extremely depressed broiler prices of June-November 1961.

However, a rapid build-up is taking place now in the Nation's broiler hatching-egg supply flocks. If this continues, a prolonged price-depressing expansion in broiler production may occur late this year and early next year. Because of the great number of pullet chicks added to hatchery supply flocks in recent months, indications are that the number of layers in these flocks will be 10 percent greater by November than a year earlier. The indicated number in January 1963 was 6 to 8 percent less than a year earlier. Additions of pullet chicks were up from the 1962 level by 22 percent in April, 40 percent in May, and 37 percent in June.

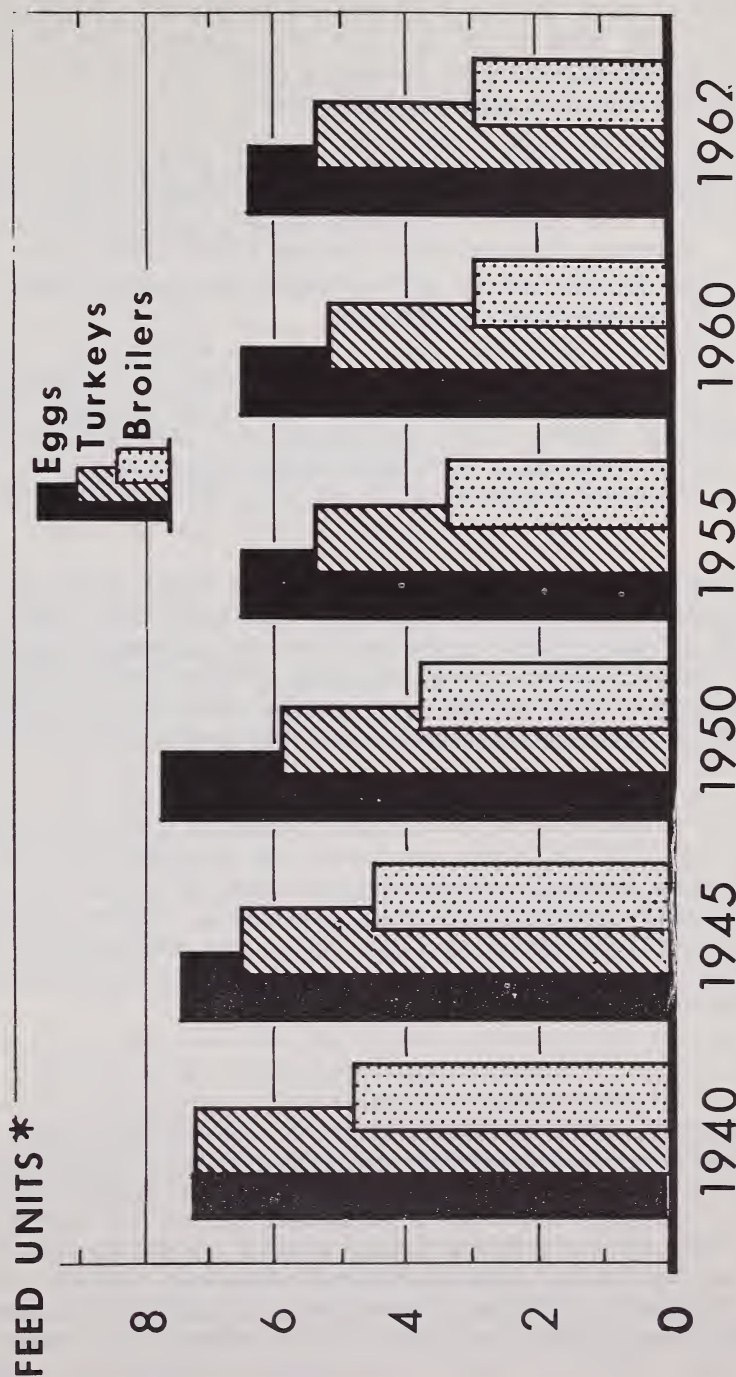
In addition to leading to overproduction, the build-up in hatchery supply flocks will make it extremely difficult for the industry to reduce output when prices become unfavorable. Once a cyclical upswing is underway, these flocks continue expanding for several months after broiler prices turn down. The number of new layers added to these flocks continues to increase because of pullet chick placements already made.

The increased supply of hatching eggs over the 1962 level already is going into expanded hatchery activity. Because of the recent increase in hatchery output and egg settings, broiler slaughter in the third quarter is expected to be about 5 to 10 percent greater than in the same period of 1962. In the second quarter, the liveweight of federally-inspected broiler slaughter was about the same as a year earlier.

June prices received for broilers by U.S. growers averaged 14.4 cents per pound, 0.4 cent less than a month earlier but 0.2 cent higher than in June 1962. Broilers were being quoted on July 26 at about 13 cents per pound in important Southeastern producing areas. These quotations were about the same as a month earlier and $1\frac{1}{2}$ cents lower than a year earlier. Increased supplies of broilers and red meats during the third quarter likely will hold U. S. broiler prices somewhat lower than in the year-earlier quarter when prices averaged 15.6 cents per pound.

Egg prices to U. S. poultrymen in the first half of 1963 averaged 33.6 cents per dozen, compared with 32.5 cents a year earlier. Prices were somewhat higher than ordinarily would be expected, considering that January-May supplies of eggs available for consumption, exports in the shell, and Government purchases were 1 percent greater than a year earlier. The duration of increased prices in the first half, however, is too short to conclude that the downtrend in egg demand is leveling out. The higher prices may be an indication that part of the egg marketing costs--due to rapid changes in the structure and organization of the industry--are being transferred to egg producers.

FEED PER UNIT OF EGGS AND POULTRY PRODUCED



*FEED UNITS USED PER DOZEN EGGS OR PER POUND OF LIVELWEIGHT TURKEY OR BROILER PRODUCED. A FEED UNIT IS THE ECONOMIC EQUIVALENT OF ONE POUND OF CORN.

Egg prices received by poultrymen in mid-June averaged 29.5 cents a dozen, the same as in May but 1.1 cents per dozen higher than a year earlier. Egg prices have been rising in response to seasonally declining production and are now near the high point for the year. Quotations for Grade A eggs on July 26 were up from mid-June by mostly 3 cents per dozen for large eggs and up mostly 3 to 5 cents for medium sized eggs.

Farmers are expected to raise only 314 million farm chickens for laying-flock replacements this year, 1 percent fewer than in 1962. This may not be enough to maintain the number of layers at the 1962 level throughout the second half of 1963. However, the Nation's laying flock again will be about as large as a year earlier by the end of 1963 because of a significant increase in the mid-summer hatch of egg-type chicks.

Egg output in the second quarter was about the same as in April-June last year. July 1 egg output was up 1 percent from a year earlier because of a greater number of layers. Egg production and prices in the second half are not expected to be materially different from a year earlier. Previously, production was expected to be a little higher than in 1962 and prices significantly lower.

This year's turkey crop is expected to total about 93 to 94 million birds, up from last year's 92.3 million. The year began with much smaller stocks of frozen turkey than a year earlier so movement from storage in the first half was slower than a year earlier. Turkey prices during this period were slightly higher than in the same months of 1962 and there was greater price competition from larger supplies of red meats and broilers.

On July 1 there were 90 million pounds of frozen turkey in storage, compared with 121 million a year earlier. By September 1, the beginning of the main marketing season, frozen turkey stocks probably will be rebuilt close to the year-earlier level of 160 million pounds. Turkey supplies in September-December likely will be about as large as in the same months last year. Per capita consumption of turkey for 1963 probably will be down to 6.8 pounds (ready-to-cook-weight) from 7.1 pounds in 1962.

Wool

The average price received by U. S. growers for shorn wool in the 1962 marketing season (April 1962-March 1963) was 47.7 cents per pound, grease basis. This was 11 percent more than a season earlier and the highest since the average of 53.7 cents in 1957. Shorn wool payments for the 1962 season will amount to 30 percent of the dollar returns each producer received from the sale of shorn wool during the marketing season compared with 44.5 percent for the previous season. The payment is the amount needed to bring the average price up to the previously-announced incentive level of 62 cents. The payment rate on sales of unshorn lambs will be 57 cents per hundredweight of live animals sold.

The average price received for mohair in the 1962 marketing season was 71.4 cents per pound, grease basis. This was 17 percent less than a season earlier and under the previously-announced support price of 74 cents. Thus, the

first payments on mohair under the provisions of the National Wool Act will be made for the 1962 season. These payments will amount to 3.6 percent of the dollar returns each producer received for the sale of mohair.

United States shorn wool production in 1963 is estimated by the Crop Reporting Board at 241.2 million pounds, grease basis (108.5 million pounds, clean). This is 3 percent less than in 1962 and 5 percent below the 1957-61 average. The number of sheep shorn or to be shorn in 1963 is set at 28.4 million head, 4 percent less than last year. The expected average fleece weight is 8.50 pounds, compared with 8.43 pounds in 1962.

At the seasonally adjusted rates of the first 5 months of 1963, U. S. mill use of apparel wool in 1963 will total about 255 million pounds, scoured basis, compared with 279 million in 1962. This moderate decline is reflected in the rising inventories of finished wool fabrics and the decreasing number of unfilled orders. Apparel wool mill use during the first 5 months of 1963 amounted to 116 million pounds, 6 percent less than in the comparable period of 1962. Use on the worsted system declined more than that on the woolen. In addition to the decreased use of wool, there has been a shift from fine grades of wool to medium grades and the larger use of other fibers.

Imports of dutiable raw wool and wool textile products increased during the first half of 1963. Dutiable raw wool imports totaled 61 million pounds, clean content, during January-May 1963, 6 percent larger than in the same period of 1962 and the highest since the comparable period of 1956. These imports were relatively high during early 1963 because of the short supply-stable demand situation and the anticipated lower U.S. wool production. Imports of apparel wool textile products continued at a high level during the first 5 months of 1963. The largest increases were in imports of knit wearing apparel, woven fabrics, wool tops, and yarns.

Carpet wool mill use in 1963 is expected to total about 170 million pounds, scoured basis, (based on the seasonal adjustment of the first 5 months' use), compared with 148 million in 1962. During January-May 1963, mill use of carpet wool amounted to 72 million pounds, 20 percent more than a year earlier.

Imports of duty-free raw wool increased substantially during the first 5 months of 1963, reflecting the increased mill demand for carpet wool and the low stock position of early 1963. These imports totaled 72 million pounds, clean content, 37 percent above the first 5 months of 1962. Carpet and rug imports during January-May 1963 totaled 9.3 million pounds, 35 percent less than the record-high level of a year earlier.

Woolen and worsted woven fabric production during the first quarter of 1963 amounted to 77 million finished linear yards, 2 percent above a year earlier and 10 percent more than in the fourth quarter of 1962. Nonapparel output increased more than apparel. Men's and boys' fabric production increased; that of women's and children's declined.

World wool prices are expected to be relatively stable during the early months of the 1963-64 marketing season (beginning in late August), at levels moderately below the recent 5-year high in June 1963. World wool production in the 1963-64 marketing season has been estimated by the Foreign Agricultural Service at a record high of 5,750 million pounds, grease basis, 75 million higher than the previous season. Most of the increased output is in surplus-producing countries of the Southern Hemisphere, notably Australia. This will increase the supply stocks available to the manufacturing countries. Consumption in 1963 is expected to remain at the record-high levels of the previous 3 years.

CROPS

Wheat

The supply of wheat in 1963-64, estimated at 2,305 million bushels, is the smallest since 1957-58. This reduction is due to both a smaller carryover and crop. The 1963 crop was estimated in July at 1,111 million bushels, about 9 percent below the 1957-61 average. Severe winter weather, a dry spring in the Southwest, and the voluntary acreage diversion program were responsible for this reduction.

Domestic disappearance in 1963-64 may show an increase from the approximately 600-million-bushel average of the last 10 years. Such an increase would result entirely from additional seed use of wheat. There is considerable speculation on the extent of noncompliance with acreage allotments under the 1964 crop program. There are no direct penalties for noncompliance, but such growers will lose price-support eligibility and acreage-allotment history. Despite this, many farmers likely will exceed their allotments. Pending reports on planting this fall, it is estimated that 70 million bushels--enough to seed about 60 million acres--will be used for seed.

Little change is anticipated in domestic food and feed uses; these are currently put at 500 million bushels and 50 million, respectively. Exports are estimated at 675 million bushels, making expected total disappearance 1,295 million, including seedwheat. On the basis of these estimates, the carryover on July 1, 1964, would be 1,010 million bushels, the smallest since July 1958, and the third consecutive reduction in carryover stocks.

The average price received by farmers for 1963-crop wheat likely will be near the \$1.82 National average loan rate. In addition, farmers participating in the 1963 voluntary acreage diversion program will receive a price-support payment of 18 cents per bushel on their normal production. This will be a direct payment and will not be reflected in market prices. The lower price-support level for the 1964 crop will have a weakening effect on prices late in 1963-64.

Feed Grains

The total supply of feed grains for 1963-64 is estimated at about 210 million tons on the basis of July 1 indications, 5 million tons less than in 1962-63, and 20 million below the record supply 3 years ago. While 1963 feed grain production, estimated at about 149 million tons, is nearly 6 million tons larger than the 1962 crop, the prospective carryover into 1963-64 is down about 11 million tons. The increase in production this year is due to increased acreages of corn and grain sorghums.

Total disappearance in the 1962-63 marketing year is estimated at 154 million tons, about the same as in 1961-62. The total disappearance of feed grains in 1963-64 is expected to increase a little from the current level, as livestock numbers continue their upward trend. Based on these early indications, a further moderate reduction in carryover is in prospect during 1963-64--somewhat less than the average rate of about 12 million tons annually in the preceding 2 years.

Corn supply for 1963-64 is estimated at 5,150 million bushels, 135 million less than in 1962-63. While the 1963 crop, estimated in July at 3,849 million bushels, is 205 million bushels above 1962, more than offsetting is the prospective reduction of 340 million bushels in the October 1 carryover. Assuming some further increase in domestic use of corn in 1963-64 and exports continuing near the current level of about 400 million bushels, total disappearance will be a little over 4 billion bushels. In this event, the corn carryover will decline again in 1963-64, but the reduction will be less than in the past 2 years when stocks were reduced at an average rate of about 350 million bushels.

The supply of oats for the 1963-64 marketing year is estimated at 1,246 million bushels, or about 5 percent less than in 1962-63. The barley supply for 1963-64 is estimated at 523 million bushels or nearly 40 million less than in 1962-63. This reduction is due entirely to a smaller crop as farmers reduced barley acreage 5 percent this year and yields are down from the high level of 1962.

During the 1962-63 feeding season, feed grain prices have advanced more than seasonally, reflecting generally good demand and a tightening of "free" supplies of corn and sorghum grain. The index of prices received by farmers for feed grains in June was 8 percent higher than a year earlier. Corn prices advanced more than other feed grains during the past year and in June averaged \$1.16 per bushel, 13 cents higher than a year earlier and only 4 cents below the 1962 support price.

If prospects continue favorable for the 1963 crops, feed grain prices are expected to decline seasonally during the next 2 or 3 months. Based on current prospects, feed grain prices this fall and winter may average near the 1962-63 level. Price supports for 1963-crop feed grains were increased a little from 1962 levels; but part of the price support this year will be in the form of a cash payment, and the loan rate will be lower than in 1962 --for corn down from \$1.20 to \$1.07 per bushel. Government sales of feed

grains, however, will not be below the loan rates in 1963-64 as was the case the past 2 years. The effect of lower loan rates on prices in 1963-64 is expected to be largely offset by the smaller sales by CCC.

The U. S. Department of Agriculture announced on July 18 the major provisions of the 1964 voluntary feed grain program. In many respects, the 1964 program will be similar to 1963. The total price-support levels are the same as in 1963, but the loan rates are slightly higher and the price-support payments slightly lower. Price-support rates will be as follows: Corn price-support loan \$1.10 per bushel, price-support payment 15 cents per bushel; barley loan 84 cents, payment 12 cents per bushel; and grain sorghum loan \$1.77 per cwt., payment 23 cents per cwt. Price supports were not announced for 1964 crop oats.

The Act provides for an acreage diversion program similar to that under the 1963 Feed Grain Program. The diversion of at least 20 percent of the base acreage is required for eligibility for price support or diversion payments. The maximum diversion has been raised to 50 percent of the base. The payment for the diversion of the first 20 percent of the base acreage will be based on 20 percent of the normal production on the acreage diverted times the county support rate. For that part of the diversion between 20 percent and 40 percent of the base, farmers would receive payments based on 50 percent of normal production. If the farmer diverts over 40 percent of his base he would receive an acreage diversion payment based on 50 percent of the normal production of all acreage diverted, including the first 20 percent, times the county support price. For the 1964 crop, the average yield used to determine the normal production for price-support payments and for land diversion payments will be based on the 1959-62 average yield. In the past 3 years, normal yields have been based on the average yield for 1959 and 1960.

The Act authorized the Secretary to provide for the substitution of wheat acreage for feed grains or feed grains for wheat acreage. This provision however, was not adopted. The decision was based on a careful review of the effects of this provision on producers' income. It was concluded that in 1964 the complexities of this provision outweighed any advantages that might result in limited areas. The Secretary also announced that malting barley acreage would not be excluded from diversion requirements of the program. A decision will be announced later with respect to the production of minor nonsurplus crops on acreage diverted from feed grains.

Oilseeds, Fats and Oils

Under the stimulus of record crusher and export demand, prices received by farmers for 1962-crop soybeans advanced from a low of \$2.23 per bushel in October 1962 to \$2.51 in March 1963, and held fairly firm at about this level through June. Soybean supplies during July-September, will be less than in the same period last year, while requirements will be greater. This means the supply situation will tend to tighten before new-crop beans become available, usually around mid-September. Prices to farmers this summer will continue strong, probably averaging about 10 percent higher than the \$2.31 per bushel received during July-September 1962.

Soybean crushings in the 1962-63 marketing year probably will reach a new high of about 470 million bushels, compared with 439 million in 1961-62. The October 1962-June 1963 total was 365 million bushels, 26 million bushels or 8 percent more than a year earlier. Strong meal demand continues dominant in the crushing rate this year. Soybean oil disappearance continues heavy, but the record crush has maintained oil stocks at high levels, although somewhat less than last year.

Soybean exports during 1962-63 are expected to set a new record of 175 million bushels compared with 153 million in 1961-62. Based in part on inspection data, exports from October 1, 1962, through July 26, 1963, totaled 157 million bushels compared with 136 million this period a year earlier and a total of 120 million in 1960-61. The increase over last year went mainly to Western Europe and Japan as these major importing areas continued to need and rely on large imports of U. S. oilseeds and oilmeals.

Based on the above estimates of crushings and exports, and considering the July 1, 1963, stocks of 138 million bushels, the carryover of old-crop soybeans on October 1, 1963, is placed at 15 million bushels, about 1 week's requirements for crushing and exports.

The 1963 acreage planted to soybeans was 29.9 million acres, 4 percent above the record planting in 1962. This continues the upward trend of recent years. Farmers plan to harvest 29.1 million acres for beans, compared with 27.9 million in 1962. The crop generally has a good stand and is making good progress, although some areas need rain. The first forecast of yield and production for the 1963 crop will be in the August 9 Crop Report.

Fruit

Generally lighter supplies and higher prices for fresh and processed fruits are in prospect for this summer and early fall than in the same period last year. This arises mainly from the smaller 1963 deciduous crop now being harvested, the outlook for a reduced 1963-64 citrus crop in Florida, decreased stocks of various processed items, and continuing strong demand for fruit. Although shipping-point prices for various fresh-market fruits in mid-July were above a year earlier, prices for others were below because of heavy marketings.

The 1963 crop of deciduous fruits will be about 4 percent smaller than the 1962 crop but 2 percent above the 1957-61 average, according to production prospects in early July. Large tonnage increases in 1963 over 1962 were indicated for grapes and apricots and a smaller one for fresh plums. More than offsetting were substantial decreases in sweet and sour cherries, pears, and Pacific Northwest prunes. Moderate decreases were expected in apples, peaches, nectarines, California dried prunes, and strawberries. Reductions from last year are the result mainly of cold, wet weather in many fruit areas during late winter and spring.

On June 1, 1963, as the new season for processing deciduous fruits was starting, stocks of 9 important canned fruits held by packers were about 10 percent smaller than a year earlier. This reduction was a result of excellent movement of fruit from the record 1962-63 pack, probably induced partly by decreasing supplies and increasing prices of fresh and processed citrus. Stocks of frozen deciduous fruits and berries in cold storage on July 1 also were down about 10 percent.

Almond production in California in 1963 is expected to be much larger than the near-average crop last year. Walnut production also is expected to be large, although a little below the above-average crop in 1962. The prospective filbert crop is moderately smaller than the relatively light output last year, mainly because of tree loss and damage from a windstorm last fall. The first forecast of the 1963 pecan crop will become available in the August crop report.

The July 1 condition of the 1963-64 crop of oranges and grapefruit in California and Arizona was above a year earlier and, except for grapefruit in Arizona, was above average. The condition of the new lemon crop in these two States was above last year and, in California, above average. In contrast, the July 1 condition of the new citrus crop in Florida was sharply below a year ago and below average. In this State, "die-back" of trees damaged by last winter's freeze had abated. There was scattered late bloom in groves. In Texas and Louisiana, production again is expected to be negligible.

Practically all remaining citrus fruit from the 1962-63 crop is in California. This fruit--oranges, grapefruit, and lemons--will constitute the principal fresh market supply for summer and early fall, as usual. Continued high prices are in prospect for this summer. In Florida, harvest of the reduced 1962-63 crop ended earlier than that of the large 1961-62 crop. Moreover, stocks of frozen orange concentrate from the light 1962-63 pack are much smaller than a year ago and prices are up sharply. Also, canned citrus juice stocks are down and prices up.

Commercial Vegetables Fresh Market

Supplies of vegetables for fresh market will be moderately smaller during the next 6 to 8 weeks than a year earlier, due to a 5 percent cut in commercial production. Among the more important items only carrots and celery are expected to be in heavier supply than last summer. But smaller supplies are indicated for cabbage, lettuce, sweet corn, and early-summer tomatoes and onions. Reports also point to moderately smaller supplies of watermelons and cantaloups.

If supplies of fresh vegetables in August and September are about in line with current indications, prices at both farm and retail levels are likely to be moderately higher than those of a year earlier. During the next 4 to 6 weeks, prices of watermelons and cantaloups are expected to average at least moderately above a year earlier.

Processed Vegetables

Supplies of canned and frozen vegetables in early summer were a little larger than a year earlier, because of heavier carryover stocks at mid-year. However, early reports point to a substantially smaller tonnage of vegetables for commercial processing than last year, and reduced packs of canned and frozen vegetables. If early production prospects materialize, the total pack of canned vegetables will be materially smaller than in 1962, and the frozen pack at least moderately smaller. Biggest reductions in pack are indicated for sweet corn, tomatoes, and tomato products--items currently in heaviest supply. Indicated packs together with carryover stocks at the beginning of the season probably would result in moderately smaller supplies of canned and frozen vegetables this season than last. However, overall supplies still would be fully adequate, and prices at reasonable levels.

Potatoes and Sweetpotatoes

Indications point to slightly smaller supplies of potatoes this summer than last. However, supplies are expected to be adequate with prices the same to moderately above those of last summer. Acreage of potatoes for fall harvest is only slightly under last year.

Smaller supplies of sweetpotatoes are in prospect than a year earlier. Indicated production of the 1963 crop is down 12 percent from last year and 2 percent under the 1957-61 average. As usual, prices for the new crop will decline seasonally into fall as harvesting progresses. But with smaller supplies expected, prices into next winter likely will average materially above a year earlier.

Dry Beans and Peas

Supplies of dry edible beans in the 1963-64 season are expected to be slightly smaller than last year, and supplies of dry field peas moderately smaller. Total demand for dry beans is expected to be close to last season. But barring serious weather damage to crops in Europe, export demand for peas may be down from the high level of the 1962-63 season. Prices to growers for dry peas may average close to last season, and prices for beans may average slightly higher.

Cotton

Disappearance of cotton during the 1963-64 crop year (August 1, 1963 through July 31, 1964) is estimated at 13.8 million bales, up 2.1 million bales

from the estimated disappearance in 1962-63. Both mill consumption and exports are expected to increase during the 1963-64 crop year.

Mill consumption during 1963-64 is estimated at 8.8 million bales, 400,000 more than the relatively low consumption in 1962-63. Larger mill consumption during 1963-64 is indicated by a pickup in the rate of consumption during recent months. The rate of consumption trended downward through the first half of the 1962-63 season, reaching in January 1963 the lowest level since February 1961. There appears to have been a cyclical upturn in the consumption rate since January 1963. The estimated mill consumption for 1963-64 is predicated on a high level of general economic activity and some rebuilding of pipeline stocks of cotton textiles.

U. S. exports of cotton during the 1963-64 marketing year are forecast at 5 million bales, up from 3.3 million estimated for the 1962-63 season. Larger exports for 1963-64 are predicated on an increase of about 800,000 bales in foreign free world consumption and a decline of about 500,000 bales in production from a record high in 1962-63. The export estimate also is based on the assumption that there will be some buildup in foreign free world stocks of cotton. At the end of the 1962-63 crop year nearly all the exportable raw cotton supplies in foreign free world exporting countries had been shipped or committed, and most importing countries carried over the minimum level of stocks.

The carryover of cotton in the United States on August 1, 1963, is estimated at about 11.1 million bales. This is about 3.3 million bales more than on the previous August 1 and the largest since the carryover of 11.3 million bales in 1957. The estimated sharp increase reflects a larger crop during the 1962-63 crop year and a sharp decline in disappearance.

As of July 1, acreage planted for the 1963 cotton crop was estimated at 14,856,000 acres, 8.8 percent below the 16,293,000 acres planted in 1962. Cotton acreage allotments for 1963 totaled 16,400,000 acres, 9.9 percent less than in 1962. The estimated acreage planted for the 1963 crop is 90.6 percent of the allotted acreage of all kinds of cotton. As in past years, the largest percentage of the allotted acreage was planted in the West--99.8 percent--and the smallest in the Southeast--82.1 percent.

Through July 22, 1,382,795 bales of cotton had been sold since sales began April 15 under the export sales program. (Under this program, stocks of CCC cotton are being offered biweekly on a competitive basis for export during 1963-64.) Through July 19, only 10,380 bales had been registered for shipment during 1963-64 under the payment-in-kind program. The initial rate of payment under this program is 8.5 cents per pound, unchanged from the previous marketing year.

The value of lint cotton from the 1962 crop totaled \$2,361 million, up slightly from the \$2,356 million for the 1961 crop, and the highest since 1955. The value of lint was higher for the 1962 crop because of larger production; the farm price was down 1.1 cents per pound from 1961. The average price received by farmers for all kinds of cotton from the 1962 crop to April 1, 1963, was 31.8 cents per pound.

Tobacco

The July 1 indication for 1963 production of all types of tobacco combined, at 2,222 million pounds, is 4 percent below the total 1962 crop but second highest since 1954. Acreage for harvest is estimated at 3 percent below last year; the flue-cured acreage is down 5 percent, reflecting the reduction in 1963 allotments, while no appreciable change is indicated in burley acreage. As of July 1, the average yield per acre of all types combined was estimated to be only slightly below the record high in 1962.

The 1963 flue-cured crop was forecast at 1,341 million pounds, 5 percent less than the 6-year high of 1962 but 7 percent above 1961 or 1960. Carryover of flue-cured on July 1, 1963, is estimated at 2,267 million pounds, about 9 percent larger than a year ago and the most since 1958. The carryover plus this year's production will provide a total 1963-64 supply at 3,608 million pounds--about $3\frac{1}{2}$ percent larger than in 1962-63 and second only to the record level of 1956-57.

Auction markets for flue-cured in Georgia and Florida--the southern-most belt--opened July 25. Sales for the first 3 days averaged 48.3 cents per pound, compared with 54.6 cents a year earlier. A larger proportion of this year's offerings consisted of lower quality grades, which were down in price compared with early-season sales last year. Markets in South Carolina and Border North Carolina opened August 1. Other markets in North Carolina and those in Virginia open later in August and September.

The Government overall price support level for 1963 flue-cured is 56.6 cents per pound-- $\frac{1}{2}$ cent (nearly 1 percent) higher than last season. The experimental program of limited price supports on untied flue-cured tobacco of certain designated grades will be continued with some modifications this year in markets that traditionally have sold only tied tobacco. Such price supports will be available during the first 7 sales days (last season, the first 5 sales days) in types 11, 12, and 13 markets; also to be available in these markets during the first 7 days (and the rest of the season) are price supports for all grades of tied tobacco. Before the experimental program started last season, price supports were available for untied tobacco only in the Georgia-Florida belt (type 14), where tobacco traditionally has been marketed in that form. Price-support rates on tied tobacco remain 6 cents per pound higher than for the untied tobacco.

Marketings of 1962-crop Maryland tobacco have been about completed. Auction markets closed July 12. The season auction average was 53.5 cents a pound--about an eighth less than the previous year's average, which was third highest on record. About 18 percent of market deliveries were placed under loan, compared with about $11\frac{1}{2}$ percent last season. The 1963 indicated crop of Maryland tobacco is 34 million pounds, down nearly $5\frac{1}{2}$ million from the relatively large crop estimated for 1962.

The 1963 crop of burley tobacco (like flue-cured and Maryland, used mainly in cigarettes) is estimated at 670 million pounds, only slightly below last year's record crop. This year's production, together with anticipated

moderately higher carryover on October 1, will provide a total supply for 1963-64 of 1,899 million pounds--nearly 5 percent above 1962-63 and largest on record.

According to July 1 indications, 1963 production of fire-cured (used mainly in snuff) will be down a little from last year, but dark air-cured (used chiefly in chewing tobacco) will be about 2 percent larger.

Prospective production of Pennsylvania and Ohio cigar filler is indicated to be 12 percent and 16 percent, respectively, less than in 1962 and smallest in several years.

The July indication for Connecticut Valley binder was for a 6 percent decline in production to a record low, attributable to a drop in Havana Seed, type 52; indicated 1963 output of Broadleaf, type 51, in which there is interest for use as cigar fillers, is up a little. Output of Wisconsin binder types is indicated to be 4 percent smaller than in 1962.

Indicated 1963 production of shade-grown wrapper in Connecticut Valley and Georgia-Florida is 9 percent and 4 percent less, respectively, than last year.

Consumption of cigarettes in 1963 is expected to gain modestly and exceed last year's record high. Also, cigar consumption is expected to gain in 1963 and probably exceed the annual volume of the preceding 3 years, when there was very little change. Use of Cuban tobacco in cigars is being steadily reduced and is less than half the rate of former years, while the use of other imported tobaccos (such as Colombian, Dominican, and Brazilian) has increased significantly. Output of smoking tobacco, chewing tobacco, and snuff in 1963 is expected to be near 1962 levels.

U. S. tobacco exports in calendar 1963 likely will show some gain over 1962, when they were second smallest in 8 years. An influencing factor will be quality of the 1963 flue-cured crop, expected to be better than in 1962. Also, foreign flue-cured tobacco crops now moving into export channels are smaller than a year earlier.

SUGAR

World production of centrifugal sugar for the 1962-63 crop year was recently estimated by the Foreign Agricultural Service at 54.5 million short tons, well under the estimated world consumption for the same period. This was the second short crop in succession. Free world carryover stocks were reduced below normal levels, causing a tight supply situation during the 1962-63 season.

The principal reasons for the reduced world sugar production during the last two years were greatly reduced Cuban production and two successive years of abnormal weather in Europe. Aggregate production in the rest of the world was slightly larger in 1962-63 than in 1960-61. Production declines in a few countries, such as Brazil, India, and the U.S.S.R. were more than offset by production increases elsewhere, including South Africa, the Philippines, and Australia.

There are indications that 1963-64 production in many countries will increase. Recent high prices were an incentive to use fertilizer more extensively, to harvest all available cane including lower qualities not profitably harvested at lower prices, and obtain the maximum output from current beet and cane acreage. Early conditions for the 1963-64 world crop have been favorable and preliminary indications suggest a substantial increase in production.

Present indications are that U.S. mainland sugar production will show substantial increases for the 1963 crop over 1962. Based on the July Crop Report of estimated sugarcane and sugar beet production, and assuming average sucrose content the 1963-crop beet sugar production will approximate 3,050 thousand short tons, raw value, and mainland cane sugar production will be about 1,150 thousand short tons, raw value, or about 18 percent and 35 percent, respectively, larger than the 1962 crop. The Puerto Rican crop just completed was about 4 percent less than for the previous year, while present estimates indicate that Hawaiian 1963-crop production will be slightly less than in 1962.

Present quota allotments provide for importation of about 45 percent of total U.S. sugar supplies in 1963. Prices of "world" sugar reached a low point of 2.3 cents per pound in January 1962. Then prices rose gradually to 3.28 cents in October 1962. The price rise was rapid after October when information about the smaller 1962-63 world crop became generally known. By the end of January 1963 the domestic and world prices of raw sugar on a comparable basis, were at par at about 6.75 cents per pound. During February, March, and the first half of April, the domestic raw sugar price, although increasing steadily, tended to lag increases in world sugar prices. Beginning about April 15, the 2 prices assumed a more parallel relationship and moved upward together with the domestic price reaching 13.20 cents per pound on May 22, 1963, the highest level attained in over 40 years. The domestic price break on raw sugar on May 24 resulted primarily from the announcement that the Department had assurances from exporting countries of adequate supplies to more than fill U.S. consumption needs for 1963.

By July 18, the domestic U.S. duty-paid spot price declined to 7.62 cents per pound. The refined wholesale price of sugar in New York on the same date was 12.90 cents, down from a high of 16.50 on May 28. High prices at wholesale of refined sugar undoubtedly still reflect the cost of the raw sugar purchased in May and the low volume distributed since the price break. The present domestic raw sugar price is about 2.00 cents per pound below the world price, adjusted for duty, freight, and insurance.

Through July 13, 1963, a record of 5,037 thousand short tons raw value of sugar were distributed by primary distributors. This was 154 thousand, or 3 percent above year earlier distribution. As of June 1, 1963, distribution exceeded a year earlier by nearly 600,000 short tons. Low deliveries during June and July on the declining price market brought deliveries for the two years more in line. Although refiners' stocks increased substantially during June, their stocks were lower at the end of June than in 1960, 1961, and 1962.

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